
The Parliament of the Commonwealth of Australia

Redevelopment of Propellant Manufacturing and other Specified Capabilities at Mulwala

Parliamentary Standing Committee on Public Works

March 2007
Canberra

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Contents

Membership of the Committee	v
List of Acronyms.....	vi
Extract from the Votes and Proceedings of the House of Representatives	vii
List of Recommendations	viii

REPORT

1 Introduction	1
Referral of Work	1
Background	1
Site	2
Options Considered	2
Inquiry Process	3
Inspection and Hearing	4
2 The Proposed Works	5
Purpose.....	5
Need	5
Scope	6
Project Delivery	7
Cost	8

3	Issues and Conclusions	9
	The Mulwala Agreement	9
	Leasing Arrangements	9
	The Capability Payment	11
	Project Costs	12
	Revenue Stream	13
	Environment and Heritage Issues	15
	Local Employment Opportunities	16
	Quality of Evidence	16

APPENDICES

	Appendix A – List of Submissions and Exhibits	19
	Appendix B – List of Witnesses	21
	Appendix C – Submission No. 1 from the Department of Defence	23
	Appendix D – Official Transcript of Evidence	59



Membership of the Committee

Chair Hon Judi Moylan MP

Deputy Chair Mr Brendan O'Connor MP

Members Mr John Forrest MP

Senator Michael Forshaw (to 1/3/07)

Mr Harry Jenkins MP

Senator Stephen Parry

Mr Bernie Ripoll MP

Senator the Hon Judith Troeth

Mr Barry Wakelin MP

Senator Annette Hurley (from 1/3/07)

Committee Secretariat

Secretary Mrs Margaret Swieringa

Inquiry Secretary Mr John Fuhrman

Senior Research Officer Mr Raymond Knight

Research Officer Ms Penny Wijnberg

Administrative Officer Mr Peter Ratas



List of Acronyms

ADF	Australian Defence Forces
ADI	Australian Defence Industries
PPP	Public Private Partnership



Extract from the Votes and Proceedings of the House of Representatives

No 138 Dated Thursday, 2 November 2006

5 PUBLIC WORKS – PARLIAMENTARY STANDING COMMITTEE –
REFERENCE OF WORK – REDEVELOPMENT OF THE PROPELLANT
MANUFACTURING FACILITY AT MULWALA, NSW

Mr Billson (Minister Assisting the Minister for Defence), pursuant to notice,
moved – That, in accordance with the provisions of the *Public Works Committee
Act 1969*, the following proposed work be referred to the Parliamentary
Standing Committee on Public Works for consideration and report:
Redevelopment of the propellant manufacturing facility at Mulwala, NSW.

Question – put and passed.



List of Recommendations

3 Issues and Conclusions

Recommendation 1

The Committee recommends that at the time of renegotiating the lease of Mulwala in 2008 between Thales Australia and the Commonwealth, Defence consider bringing rental payments into line with current market rental payments for purpose built buildings.

Recommendation 2

The Committee recommends that Defence consider renegotiating the capability payment paid by the Commonwealth to Thales Australia in recognition that production at the Mulwala facility exceeds the demands of the ADF, and has the capacity to service commercial markets.

Recommendation 3

The Committee recommends that at the earliest opportunity Defence adjust the profit sharing ratio so as to deliver an outcome that is more equitable to the Commonwealth, recognising the improvements in operational efficiencies that the redevelopment provides to the lessee.

Recommendation 4

The Committee recommends that Defence examine how in future hearings associated with major capital works proposals, the quality of evidence can be enhanced in order to make it more comprehensive, and more transparent.

Recommendation 5

The Committee recommends that Defence submit a strategy report to the Committee on how the department proposes to address the issues referred to in Recommendations 1, 2, and 3.

Recommendation 6

The Committee recommends that the redevelopment of the propellant manufacturing facility at Mulwala proceed at an estimated cost of \$338.7 million, excluding GST.

Introduction

Referral of Work

- 1.1 On 2 November 2006 the proposed redevelopment of the propellant manufacturing facility at Mulwala, NSW was referred to the Public Works Committee for consideration and report in accordance with the provisions of the Public Works Committee Act 1969 (the Act).¹ The proponent agency for this work is the Department of Defence.
- 1.2 The Hon Bruce Billson MP, Minister for Veterans Affairs and Minister Assisting the Minister for Defence informed the House that the estimated out-turn cost of the proposal is \$338.7 million. Subject to parliamentary approval, the works will commence by mid-2007 with the objective of having them completed by the end of 2011.

Background

- 1.3 The Mulwala had its origins in 1942 as a result of the findings of an Australian study mission to the United States to look into the opportunity for the manufacture of nitrocellulose powder in Australia. Since the plant

1 Extract from the Votes and Proceedings of the House of Representatives, No. 138, Thursday 2 November 2006

was commissioned in late 1943, a number of other explosive and ordnance factories have closed, with production capabilities being transferred to Mulwala. Currently the Mulwala facility produces double and triple base propellants, high explosives and rocket motors.²

- 1.4 Through Australian Defence Industries Limited (ADI), a former government business enterprise, the Commonwealth owned and operated the Mulwala facility – the sole Australian manufacturer of propellant and high explosive for use by the Australian Defence Forces (ADF) until 1999³.
- 1.5 In 1999, ADI Limited was corporatised and acquired by Transfield Holdings Limited and Thales Australia (at that time Thomson CSF) in equal share. Subsequently on 12 October 2006, the Federal Treasurer approved the acquisition of Transfield Holdings interests in ADI by Thales Australia⁴. ADI no longer exists as a corporate entity having been merged with Thales Australia.
- 1.6 Thales Australia as the operator of the Mulwala facility is seeking a safer, more environmentally friendly, more reliable and cost efficient propellant plant that is capable of meeting the future propellant needs of the Australian Defence Force.⁵

Site

- 1.7 The Mulwala facility is situated on the western edge of the township of Mulwala in New South Wales. Mulwala lies on the Murray River, 215 kilometres north-east of Melbourne and 100 kilometres west of Albury.⁶
- 1.8 The site covers some 1,029 hectares.⁷

Options Considered

- 1.9 A Strategic Review of the Mulwala facility conducted in 1999 considered 5 options for providing Defence with an indigenous munitions manufacturing capability. These included:

2 Appendix C, Submission No. 1. paragraphs 7 and 8

3 *ibid*, paragraph 2

4 French to complete ADI takeover, *The Australian*. 2 October, 2006

5 *Volume of Submissions*, Submission No.3, Thales Australia

6 Appendix C., *op. cit.*, paragraph 45

7 *ibid.*, paragraph 46

- refurbishment of existing plant, machinery and buildings;
- the closure of the facility and the transfer of all capability to the Benalla ammunition factory;
- partial closure of the facility and the transfer of the manufacture of nitrocellulose, propellant and solvent to Benalla;
- total replacement of the nitrocellulose, solvent, and propellant processes and implementation of improvements in the other areas that were identified in earlier studies; or
- replacement of the essential areas of the nitrocellulose, solvent and propellant processes and the implementation of improvements to the more recently acquired production areas.⁸

1.10 In the view of the department, the fourth option was preferred. It provided the most effective use of capital, reduction of the Commonwealth's risk and consideration of whole of life costing. This option was approved by government.⁹

Inquiry Process

1.11 The Committee is required by the Act to consider public works over \$15 million¹⁰ and report to Parliament on:

- the purpose of the work and its suitability for that purpose;
- the need for, or the advisability of, carrying out the work;
- whether the money to be expended on the work is being spent in the most cost effective manner;
- the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
- the present and prospective public value of the work.¹¹

1.12 The Committee called for submissions by advertising the inquiry in the *Weekend Australian* and the *Border Mail* on Saturday, 11 November 2006. The Committee also sought submissions from relevant government

8 *ibid.*, paragraph 20

9 *ibid.*, paragraph 21

10 *Public Works Committee Act 1969*, Part III, Section 18 (8)

11 *ibid.*, Section 17

agencies, local government, private organisations and individuals, who may be materially affected by or have an interest in the proposed work. The Committee subsequently placed submissions and other information relating to the inquiry on its web site in order to encourage further public participation.

Inspection and Hearing

1.13 Under the terms of the Act, the Committee may not convene at any place outside Australia and its external Territories. Where a public work is to be carried out outside Australian and its external Territories, the Committee:

...shall consider the work on the basis of plans, models and statements placed before it and of evidence (if any) taken by it.¹²

1.14 On Friday 2 February 2007 the Committee received a confidential briefing from officers of the Department of Defence on the costs of the proposed works to be undertaken at Mulwala on site. This was followed by a public hearing also held at Mulwala.¹³

12 *ibid.*, Part III, Section 18B

13 See Appendix D for the official Hansard transcript of the evidence taken by the Committee at the public hearing on Friday 2 February at Mulwala.

The Proposed Works

Purpose

- 2.1 The department's Statement of Evidence states that the purpose of the proposed new works is to deliver a modernised propellant plant capable of manufacturing a minimum of 360 tonnes per annum of propellant under a single shift production program.¹

Need

- 2.2 In its submission the department has highlighted three issues underpinning the need for the work, these include:
- sulphate and nitrate contamination of ground water arising from past usage;
 - the age of the infrastructure, both plant and buildings, that are placing increasing demands on the department's budget for repairs and maintenance expenditure as the assets approach or exceed their useful working life; and,

¹ Appendix C, Submission No. 1, paragraph 5

- the need for the facility to be modernised to enable production to meet safety and environmental requirements, particularly against the background of more stringent environmental and work safety legislation. The alternative of decommissioning the facility would leave the ADF without an indigenous capability to produce military grade propellant required for the production of munitions.²
- 2.3 In the context of the remediation of groundwater contamination, the department notes that an indicative budget of \$68 million has been allocated for essential works, but that this work does not form part of the scope of works associated with the redevelopment project. The department adds that these works, although funded separately, will be managed concurrently with environmental works included in the current project to achieve any available cost savings.³
- 2.4 Further, the department states that although the plant is still operating safely, the ageing infrastructure places increasing demands on the department's budget for repairs and maintenance expenditure as the assets approach, or exceed their working life. In general, the Commonwealth's propellant manufacturing assets at Mulwala are obsolete. The department also notes that more stringent environmental and work safety legislation will require improvements at the site, many of which can only be resolved with significant new investment.⁴
- 2.5 In the view of the department, there exists an imperative to modernise and redevelop the facility to enable production operations to meet current legislative standards, or the facility must be decommissioned.⁵

Scope

- 2.6 The proposed works will significantly contribute to the environmental integrity of the site, as well as to the efficiency, safety, and quality of the product manufactured by Thales, Australia.⁶ The scope of the works will comprise:
- construction of a new nitrocellulose, solvent and propellant production plant;
 - construction of a confined burn facility;
-

2 *ibid.*, paragraphs 14 - 16

3 *ibid.*

4 *ibid.*, paragraph 15

5 *ibid.*, paragraph 16

6 Submission No. 3, paragraphs 13 - 24

- provision of associated training, documentation and spares;
- decontamination, demolition and disposal of plant infrastructure necessary to construct the works; and
- upgrading and associated engineering services infrastructure including utilities and communications systems.⁷

2.7 This will include construction of 28 new buildings, the refurbishment/modification of ten existing buildings, the relocation of an existing function and demolition of one building.⁸

Project Delivery

- 2.8 The department states in its submission that it considered two delivery systems for the project – a PPP and the traditional government funded direct investment approach. After consideration and evaluation of the two approaches, the Government made a value for money decision in early 2006 to pursue the project as a Government funded direct investment with a reduced scope of work.⁹
- 2.9 Prior to concluding that project delivery would proceed by way of Government funded direct investment; the department noted that the NSW Government and Commonwealth Government gave planning approval for the proposed PPP option.¹⁰
- 2.10 In taking its decision to undertake the project by direct investment by the Commonwealth Government, the department notes the many conditions imposed, including wide-ranging environmental issues that required compliance under the conditions of a PPP, but noted that notwithstanding the department will meet its obligations on previously agreed local and state environmental regulatory obligations.¹¹
- 2.11 The department proposes that once an agreed environmental management plan has been developed by the construction contractor, departmental environmental staff will issue an environmental clearance certificate requiring the contractor to meet all environmental conditions relating to the construction of the facility.¹²

7 Appendix C, op. cit., paragraph 6

8 *ibid.*, paragraph 50

9 *ibid.*, paragraph 22

10 *ibid.*, paragraph 23

11 *ibid.*, paragraph 32

12 *ibid.*, paragraph 33

Cost

- 2.12 The estimated cost of this project is \$338.7 million exclusive of GST. This includes facility construction costs (including the up grade and provision of new engineering services infrastructure and the temporary construction of roads and pathways) as well the cost of installation and commissioning of propellant, nitrocellulose and solvent production plant and equipment.¹³

13 *ibid.*, paragraphs 26 and 60

Issues and Conclusions

The Mulwala Agreement

- 3.1 The Committee accepted that the redevelopment of Mulwala was an important strategic requirement in the context of the Commonwealth's commitment to retaining a long term domestic production of propellant and high explosives¹.
- 3.2 However, the Committee expressed some reservations on a number of issues falling within the terms of the Mulwala Agreement between the Commonwealth through Defence as its agent and Thales Australia, including leasing arrangements, the capability payment, and the responsibilities of the parties to the Agreement.

Leasing Arrangements

- 3.3 Defence explained that the Mulwala Agreement was initially negotiated with the former Australian Defence Industries, and renegotiated with the new owners Transfield Industries and Thales in 1999². This arrangement continues to be in effect under Thales Australia. Thales currently has a lease over Mulwala until 30 June 2015³.

1 Appendix C, Submission No. 1, paragraphs 1 and 4.

2 Appendix D, Official Transcript of Evidence, page 2.

3 Appendix E, Submission No. 3, paragraph. 3.

- 3.4 Defence also informed the Committee that in 2008 the Commonwealth will make a decision as to whether it will extend Thales' lease beyond 2015 to 2025⁴. However it was not clear as to whether Thales Australia could exercise a similar option, that is, whether Thales Australia had an option not to extend its lease beyond 2015.
- 3.5 The Committee has subsequently learned that Thales Australia can only vacate the lease on two grounds: in circumstances where the Commonwealth exercises its options to terminate the lease or allow it to expire, or where there is a failure of the Commonwealth to remedy a situation that would otherwise be in breach of Environmental or Occupational Health and Safety law.
- 3.6 Leasing arrangements were a factor for Thales Australia. The company informed the Committee that on taking over the facility it sought certainty as to how long it would be operating Mulwala and whether it would need to enter into some new arrangement for the supply of propellant to its munitions factory at Benalla in Victoria. The Mulwala Agreement offered a level of confidence for the company to continue with its operations at Mulwala⁵.
- 3.7 According to the company the Mulwala Agreement was amended to update the lease, and in addition to other obligations, provide a capability to manufacture and supply a specified quantity of propellant and a specified quantity of explosives to the ADF for which the Commonwealth makes a capability payment.
- 3.8 The company informed the Committee that on the matter of rentals paid to the Commonwealth, the capability payment far exceeds the amount of rent payable under the terms of the Mulwala Agreement⁶.
- 3.9 In responding to the Committee's question as to whether the rental paid to the Commonwealth was based on current market rates, Defence informed the Committee it was unaware of the current market rates that could be applied to the lease of Mulwala⁷. Subsequently the Committee learned that no market survey of rentals was conducted because to do so in the case of Mulwala was inappropriate because the facility is not operated as a commercial enterprise.
- 3.10 Similarly, Thales Australia stated in evidence that:

4 Appendix D, loc. cit

5 *ibid.*, p. 3

6 *ibid.*, p.4

7 *ibid.*, p.3

[The] Mulwala facility as it stands is not a commercial enterprise and never could be operated as a commercial enterprise, which is why the Commonwealth pays a capability payment. When Thales recently became 100 percent Australian owned, the board of directors of Thales Australia and Thales' parent company were required to make a number of undertakings to the Commonwealth to protect the national interest and the defence interest. They included the continuing provision of propellants and ammunition out of the Mulwala and Benalla facilities⁸.

- 3.11 Whilst the matter of commerciality is moot, it is accepted practice where purpose-built buildings have been provided for the benefit of a tenant, rents are gauged by comparable rental payments in the market place; however because it was decided by Defence that it was inappropriate to undertake a market survey of comparable rents for purpose built buildings, the Commonwealth has been placed in a position of offering significant subsidies to Thales Australia in the performance of its operations.

Recommendation 1

The Committee recommends that at the time of renegotiating the lease of Mulwala in 2008 between Thales Australia and the Commonwealth, Defence consider bringing rental payments into line with current market rental payments for purpose built buildings.

The Capability Payment

- 3.12 The extent of the Commonwealth's undertakings to Thales Australia under the terms of the Mulwala Agreement is significant. The capability payment is of such magnitude that it offsets rentals charged by the Commonwealth as well as rates and charges levied by local Council and the New South Wales Government that under the Mulwala Agreement are 100% attributable to capability costs.
- 3.13 That the company has been able to produce a product surplus, evidenced by commercial sales of product, it is a reasonable conclusion that the requirements of the ADF have been met, but the capability payment has not been adjusted to meet this situation.

8 *ibid.*

- 3.14 The Committee has also learned that there are a range of other indirect costs that are paid by the Commonwealth through the capability payment to Thales Australia.
- 3.15 Against this background, the provisions of the Mulwala Agreement including those related to payments made to Thales Australia may be skewed in favour of the company, leaving the Commonwealth in a less than advantageous position.

Recommendation 2

The Committee recommends that Defence consider renegotiating the capability payment paid by the Commonwealth to Thales Australia in recognition that production at the Mulwala facility exceeds the demands of the ADF, and has the capacity to service commercial markets.

Project Costs

- 3.16 The Committee expressed the view that the issue of leasing arrangements had a significant bearing on the costs associated with the proposed project. At an estimated outturn cost of \$338.7 million (excluding GST)⁹ the Committee was keen to seek some guarantees from Defence that if in the future Thales Australia made a commercial decision to relinquish the lease of the facility, there existed an alternative plan for its use to avoid significant expenditure on a redevelopment proposal that by 2015 could well become surplus to requirements¹⁰.
- 3.17 The Committee questioned whether in these circumstances the redevelopment of the Mulwala facility represented sound expenditure of public money¹¹.
- 3.18 In the view of the department the question of occupier/operator was not an issue. According to Defence, the Commonwealth made a commitment in 2001 to retain a long-term domestic production of a propellant manufacturing capability at Mulwala, regardless of whether Thales Australia operates the plant or some other operator takes over from Thales Australia, including possibly Defence itself in the event of no other commercial interest. Underpinning the department's response was the

9 Appendix C, paragraph 26

10 Appendix D, pp. 4 and 11

11 *ibid.*, p.4

point that the ADF needs munitions to undertake its role and that consequently the demand for propellant was ongoing¹².

- 3.19 In addition to the prime project cost of \$338.7 million (exclusive of GST) the department's Statement of Evidence also referred to an additional amount of \$63 million for certain environmental remediation works that had been identified as having originated from earlier operations conducted at the facility¹³.
- 3.20 The Committee sought an explanation as to why these proposed works were not part of the current proposal now being considered, since it appeared that the total cost of the proposal was not \$338.7million but in fact up around \$400 million¹⁴.
- 3.21 In response the department informed the Committee that the \$63 million was quarantined from the current project because it involved a different scope of work. It was explained that the additional funds will provide a capability to monitor the flow of sulphate and nitrate contamination plumes that are flowing slowly toward the Murray River; develop and implement remediation action plans to protect the water quality of the river and of the groundwater aquifer; excavate and dispose of contaminated material; use in situation carbon source addition, that allows bacteria to breakdown the contamination within the soil; cap some of the contaminated areas so that they cannot be exposed to the public and to the ambient air, and use hydraulic containment to stop the flow of contaminants towards the Murray River¹⁵.
- 3.22 Defence also informed the Committee that in addition to the prime project cost of \$338.7 million there will be ongoing annual expenditure on maintenance and capital improvement; however the department did not elaborate on what those works would comprise¹⁶.

Revenue Stream

- 3.23 The Committee sought information regarding revenue streams associated with both the facility as it stands currently and potential revenue streams following on the redevelopment. Of particular interest to the Committee were revenue streams derived from leasing arrangements between Thales

12 *ibid.*, pp. 2 and 11

13 Appendix C, paragraph 14.

14 Appendix D, p. 4

15 *ibid.*, pp. 6-7

16 Appendix C, paragraph 25.

Australia and the Commonwealth (addressed above) and the opportunity for increased profit.

3.24 In discussion during the Hearing on the potential revenue that Mulwala might deliver to the Commonwealth, the view was expressed that the arrangements under which it occupies Mulwala are not commercial. This would appear to be at odds with statements made by the Thales Australia witness. Of particular note was the statement regarding excess capacity at the facility. The witness stated:

...Thales Australia uses the excess capacity at the Mulwala facility - and proposes to in the future - to sell propellants commercially. We sell a substantial quantity, particularly on the export market, with the US being a principal customer. We would expectto use that spare capacity to the maximum¹⁷.

3.25 During the Confidential Briefing, the Committee discussed the issue of profit sharing and revenue flowing to the Commonwealth under the terms of the Mulwala Agreement, and had some concerns with the split between the Commonwealth and Thales Australia. The Committee inferred that the significant expenditure of Commonwealth monies on the redevelopment of Mulwala ought to deliver a better return on investment than was currently available¹⁸.

3.26 It does not appear however that the existing arrangement for the distribution of profit has been renegotiated with Thales Australia, particularly against a background of a major facility redevelopment that will deliver significant efficiencies to the lessee.

3.27 In real terms any potential financial benefit to the Commonwealth is overtaken by the need to meet capability payments.

3.28 On the basis of the evidence presented by the department, the arrangement between Thales Australia and the Commonwealth presents some anomalies principally that the project is revenue negative.

3.29 Essentially the project commits Commonwealth monies to the redevelopment of a site occupied by a privately owned company for which it receives no return on its investment. Indeed the potential for revenue is denied by virtue of the arrangements that Defence has put in place on behalf of the Commonwealth, that include ongoing capability payments to the company, accompanied by an inequitable split of profit sharing arrangements.

17 *ibid.*, p. 11

18 *ibid.*, p. 3

Recommendation 3

The Committee recommends that at the earliest opportunity Defence adjust the profit sharing ratio so as to deliver an outcome that is more equitable to the Commonwealth, recognising the improvements in operational efficiencies that the redevelopment provides to the lessee.

Environment and Heritage Issues

- 3.30 The Committee sought clarification of the measures being taken at Mulwala for the supply and storage of water used in the manufacturing of propellant.
- 3.31 Defence informed the Committee that currently Mulwala has a water licence with the Corowa Shire to draw 700 megalitres from the Murray River, of which approximately 200 to 300 megalitres is returned to the river system¹⁹. According to Defence the new plant that is to be installed will provide the opportunity for the reuse of water collected by condensation, which after treatment will also be returned to the Murray. This would be in the order of 250 megalitres²⁰.
- 3.32 The Committee was satisfied on the evidence presented by Defence that all water returned to the riverine system would satisfy EPA standards²¹.
- 3.33 On the matter of groundwater remediation, the Committee sought clarification as to whether, given that the redevelopment of the new plant would occur leaving the existing plant in situ until the new plant had been commissioned, the extent of ground water contamination might be more extensive than the site identified by Defence for which an amount of \$63 million had already been allocated. Additionally the Committee asked whether the decommissioning and retention of old buildings for heritage reasons was integral to the redevelopment of Mulwala²².
- 3.34 In responding, Defence informed the Committee that:
- ...Once the plant is decommissioned, we will do a complete heritage and environmental assessment of what is there and determine what can be done, and then we will implement it.²³

19 Appendix D, p. 5

20 *ibid.*

21 *ibid.*, p. 6

22 *ibid.*, p. 8

23 *ibid.*

- 3.35 The department also explained that a heritage management plan will dictate how the site will be managed. Defence also confirmed that these future works were not part of the current project owing to the uncertainty of the work that might need to be done after the old plant has been decommissioned²⁴.
- 3.36 Defence also explained that following decommissioning any environmental issues will be dealt with, including the removal of acids, nitrates and nitrocellulose from decommissioned buildings, which will have the effect of also removing any further leaching into groundwater²⁵.

Local Employment Opportunities

- 3.37 The Committee sought clarification on the matter of employment generation, noting that in the submission received from Thales Australia there was an indication of savings in labour costs as well as an indication that there would be increased employment generation²⁶.
- 3.38 Defence informed the Committee that:
- ...during the construction phase we estimate that there will be of the order of 250 to 280 jobs that will be generated.....Once the commissioning is finished, there is an estimate of some reduction in the workforce.²⁷
- 3.39 Thales Australia expanded on the department's response, adding that:
- Once the new facility is operational we expect that - but we have not seen the detailed design - if we remove our employees from hazardous processes and exposure to chemicals and have some automated materials handling somewhere between 30 to 50 employees would not be required in the future²⁸.

Quality of Evidence

- 3.40 The Committee considered that the quality of evidence provided by departmental officials at both the Confidential Hearing and the Public

24 *ibid.*

25 *ibid.*, p. 9

26 *ibid.*, p. 10

27 *ibid.*

28 *ibid.*

Hearing, and in Statement of Evidence should have been more comprehensive. Issues related to the terms of the Mulwala Agreement, including leasing, the capability payment, and opportunities for the delivery of profit to the Commonwealth are particularly complex, but are nevertheless subject to Committee scrutiny. As evidenced by the extent of follow-up required to satisfy the Committee both the oral evidence provided by the department and the documentation was very narrowly focussed, and should have been more transparent.

Recommendation 4

The Committee recommends that Defence examine how in future hearings associated with major capital works proposals, the quality of evidence can be enhanced in order to make it more comprehensive, and more transparent.

Recommendation 5

The Committee recommends that Defence submit a strategy report to the Committee on how the department proposes to address the issues referred to in Recommendations 1, 2, and 3.

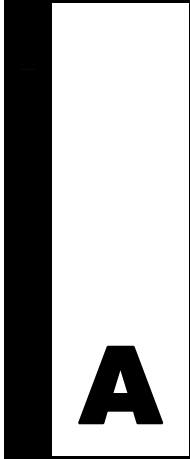
Recommendation 6

The Committee recommends that the redevelopment of the propellant manufacturing facility at Mulwala proceed at an estimated cost of \$338.7 million, excluding GST.

The Hon Judi Moylan MP

Chair

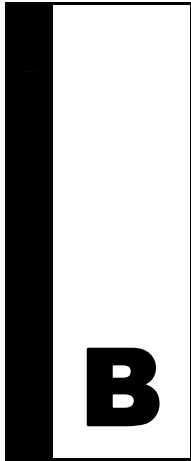
28 March 2007



Appendix A – List of Submissions and Exhibits

Submissions

1. Department of Defence
2. Moira Shire Council
3. Thales Australia
4. Corowa Shire Council



Appendix B – List of Witnesses

Mr Gavin Cator, Chief Executive Officer, Moira Shire Council

Mr Brian Conway, General Manager Ordnance, Land Systems, Australian Defence Industries Ltd (trading as Thales Australia)

Mr Bruce Corcoran, General Manager, Corowa Shire Council

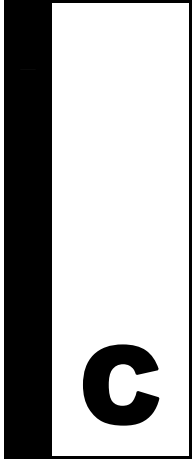
Brigadier William Grice, Director General, Infrastructure Asset Development Branch, Department of Defence

Ms Michelle Kelly, Director General, Guided Weapons Acquisitions, Department of Defence

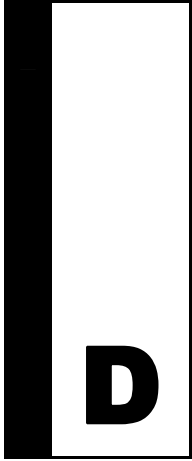
Mr Gary Poidevin, Mayor, Corowa Shire Council

Mr Martin Weir, Project Director, Mulwala Redevelopment Project, Department of Defence

Mr Richard Zentelis, Director, Heritage and Biodiversity Conservation, Infrastructure Division, Department of Defence



**Appendix C – Submission No. 1 from the
Department of Defence**



Appendix D – Official Transcript of Evidence